



Montana

Department of Labor and Industry

EXHIBIT

DATE

20
2/4/2011
HB 2

March 2011

EMPLOYMENT SECURITY ACCOUNT

39-51-409 Montana Code Annotated

The Employment Security account (ESA), an assessment paid by employers, was established to keep rural Job Service Offices open and to provide essential employer and employee services. The 2007 Legislature approved a reduction in Unemployment Insurance tax rates that resulted in a \$12 million tax savings to employers. A small portion of the savings were targeted to provide funding for a new Unemployment Insurance tax system to improve the service level to the employer community by increasing self-service functionality via the Internet. The 2009 Legislature approved bonding through the ESA to support this tax modernization project. Both the Montana Chamber of Commerce and National Federation of Independent Businesses supported the funding of the project.

BENEFITS:

- Enhanced UI Tax system provides direct online support to employers
- Provides the employer self-service applications to:
 - On-line access to and maintenance of their accounts
 - Easier, more robust on-line filing and payment capabilities
 - Ability to respond to UI notices and information via the web
- Improved data integrity and security
- Allows field staff to remotely access system providing better customer service
- Allows for more effective interfacing with the benefits system

RISK:

- Future funding sources included in HB10 may no longer be available
- 18 year old legacy system using COBOL/Mainframe system
- Diminishing availability of skilled mainframe developers
- Some enhancements to current system to improve operational efficiencies cannot be made

TIMELINE:

- Start with RFP: August 2011.



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Considering legislative intent as well as the commitment to Montana employers, the following 2013 executive budget was proposed.

TABLE 1

	FY2012	FY2013	FY2014	FY2015
EXECUTIVE BUDGET				
BEG. FUND BALANCE	\$8,221,041	\$4,925,722	\$1,992,873	\$0
EXPENDITURES:				
HB2 - Executive Budget Request	(\$15,224,742)	(\$15,265,997)	(\$14,908,086)	(\$13,349,946)
HB10 - Approved by 2009 Legislature		(\$1,735,569)	(\$1,575,566)	(\$1,575,556)
REVENUES	\$13,929,423	\$14,068,717	\$14,490,779	\$14,925,502
END FUND BALANCE	\$4,925,722	\$1,992,873	\$0	\$0

Pursuant to Executive Action in the 2011 General Government Subcommittee, a funding switch from general fund to the ESA moving Job's for Montana Graduates (JMG), Career Resource Network to ESA, and one-time-only funding for the Department of Commerce's Primary Business Sector Training Program resulted in an unbalanced budget. To address the funding shortage, the subcommittee will forward a request to House Appropriations Committee to remove from HB10, authority for the unemployment insurance tax system.

TABLE 2

	FY2012	FY2013	FY2014	FY2015
2011 SUBCOMMITTEE ACTION				
Funding Switch	(\$1,802,306)	(\$1,805,925)	(\$805,925)	(\$805,925)
FUND BALANCE AFTER EXEC. ACTION	\$3,123,416	(\$1,615,358)	(\$4,414,156)	(\$5,220,081)
HAC - Request Amendment				
Remove UI Tax System - HB10		\$1,735,569	\$1,575,566	\$1,575,556
FUND BALANCE AFTER HB10 MOTION	\$3,123,416	\$120,211	(\$1,103,021)	(\$333,390)

Because the ESA fund cannot support a funding switch on a permanent basis, and to uphold the commitment to the Montana business community, the department respectfully requests that the funding switch be restored and that an amendment to remove funding for the unemployment insurance tax system be rejected. This action would result in a balanced fund.

TABLE 3

	FY2012	FY2013	FY2014	FY2015
DEPARTMENT REQUEST - HAC				
Restore Funding Switch	\$1,802,306	\$1,805,925	\$805,925	\$805,925
DO NOT PASS UI TAX Amendment		(\$1,735,569)	(\$1,575,566)	(\$1,575,556)
PROJECTED END FUND BALANCE	\$4,925,722	\$1,992,873	\$0	\$0